

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3664

INFO AMCONGEN ZAGREB

USMISSION GENEVA

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E.O.11652:NA

TAGS: ETRD, YO

SUBJECT:EMBASSY INTERCEDES TO EXPEDITE U.S. CATTLE  
SHIPMENT TO YUGOSLAVIA

REF: BELGRADE 3187

PASS AGRICULTURE

1. A CONTRACT FOR EXPORT OF BREEDING CATTLE BY AMERICAN LIVE-STOCK PRODUCERS INTERNATIONAL (ALPI) TO KOPRODUKT OF NOVI SAD WAS DELAYED BY CONFUSION WITHIN THE YUGOSLAV BUREAUCRACY OVER ADMINISTRATION OF RECENT MEASURES TO RESTRAIN EXPORTS. VIGOROUS EMBASSY REPRESENTATIONS, INCLUDING INTERVENTION BY THE AMBASSADOR, WERE NEEDED TO OBTAIN YUGOSLAV PERMISSION TO SHIP THE CATTLE WITHOUT DELAY AND AVOID FINANCIAL LOSS TO ALPI. ALSO THE YUGOSLAVS HAVE NOT YET PUBLISHED FIRM CRITERIA AND SEEMINGLY DO NOT YET HAVE EFFECTIVE ADMINISTRATIVE MECHANISM FOR THE ADMINISTRATION

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OF THE IMPORT RESTRAINTS. EMBASSY INTERVENTION MAY BE RE-

QUIRED IN CASES OF FUTURE SHIPMENTS TO YUGOSLAVIA EVEN OF PRODUCTS WHICH LIKE THE CATTLE THE YUGOSLAVS NEED AND WANT FOR PRIORITY DEVELOPMENT PLANS.

2. ON MARCH 14, 1975 ALPI AND KOPRODUKT SIGNED CONTRACT FOR EXPORT OF 480 HEAD OF HOLSTEIN-FRIESIAN CATTLE TO BE DELIVERED BY JUNE 30, 1975. SINCE YUGOSLAV QUARANTINE PENS WERE NOT PREPARED ON TIME, SHIPMENT WAS DELAYED. FIRST 280 HEAD, WHICH WERE SELECTED AND HAD RECEIVED HEALTH TESTS, WERE RESCHEDULED FOR EARLY JULY, FURTHERMORE, THE NEED FOR SLIGHT REVISION OF THE CONTRACT BROUGHT THE TRANSACTION WITHIN THE PURVIEW OF LEGISLATION THAT SINCE JUNE 21 HAS REQUIRED SPECIAL PERMITS ON 256 GROUPS OF PRODUCTS, INCLUDING LIVE CATTLE.

3. AS AN ADDITIONAL COMPLICATION, ACCORDING TO ALPI, THE NATIONAL BANK OF VOJVODINA REFUSED TO APPROVE THE LETTER OF CREDIT FOR THESE CATTLE UNLESS ALPI AGREED TO ACCEPT 30 PERCENT OF PAYMENT IN CANNED MEATS. SINCE IT DOES NOT HAVE OUTLETS FOR CANNED MEAT, ALPI WOULD NOT AGREE TO THIS REQUESTED CHANGE IN THE CONTRACT; FURTHER DELAY WOULD HAVE RESULTED IN LOSS OF ABOUT \$170,000 TO ALPI (SELECTION, VETERINARY AND TRANSPORTATION COSTS). ALPI HAD ARRANGED \$10 MILLION WORTH CREDIT FOR THE NEXT 5 YEARS FOR PURCHASING CATTLE. SINCE PLANS FOR CATTLE WERE BOOKED AND HEALTH TESTS WERE TO EXPIRE, RAPID SOLUTION OF THE PROBLEM WAS REQUIRED.

4. EMBASSY APPROACHES TO THE SECRETARIAT OF FOREIGN TRADE AND THE FEDERAL COMMITTEE FOR AGRICULTURE RAPIDLY BROUGHT APPROVAL OF THE REQUIRED SPECIAL PERMIT FROM THE FOREIGN TRADE SECRETARIAT. SINCE THE NORTH AMERICAN DIRECTOR OF THE FOREIGN TRADE SECRETARIAT, HOWEVER, WAS UNABLE TO BUDGE THE POSITION OF THE VOJVODINA NATIONAL BANK, THE AMBASSADOR, AFTER FAILING TO GET AN APPOINTMENT WITH SECRETARY LUDVIGOR) MET WITH NIKOLA MILICEVIC, ASSISTANT FEDERAL SECRETARY, SECRETARIAT OF FOREIGN AFFAIRS ON JULY 10. AFTER OUTLINING THE ALPI-KOPRODUKT SITUATION, AMBASSADOR STRESSED THE SERIOUSNESS OF THE SITUATION AND THE NEED FOR RAPID SOLUTION. HE INDICATED THAT MORE SERIOUS THAN THE LOSS OF ALPI WAS THE POTENTIAL EFFECT WHICH THE CONFUSION COULD HAVE ON US BANKS, INCLUDING THE EX-IM BANK WHICH WAS A PARTICIPANT IN THE FINANCIAL PACKAGE.

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AMBASSADOR STATED THAT THIS WAS NOT COMPATIBLE WITH THE FREQUENTLY EXPRESSED YUGOSLAV DESIRE TO EXPAND TRADE WITH THE U.S. ASST. SECRETARY MILICEVIC, PURPORTED TO BE UNFAMILIAR WITH THE PROBLEM, SAW THE SERIOUSNESS OF THE SITUATION AND POSSIBLE UNFAVORABLE IMPACT. HE CONTACTED SECRETARY LUDVIGER WHO IN TURN SPOKE TO THE NATIONAL BANK OF VOJVODINA. THE LETTER OF CREDIT WAS ISSUED ON JULY 14. AFTER RECEIVING 10-DAY EXTENSION OF VALIDITY PERIOD OF HEALTH TESTS, SHIPMENTS OF CATTLE WERE RESCHEDULED. FIRST PLANE WITH 88 HEAD

ARRIVED YUGOSLAVIA ON JULY 22.

5. COMMENT: THE POSITION OF THE VOJVODINA BANK MAY HAVE BEEN DUE TO A MAY 31 DECREE BY THE FEDERAL EXECUTIVE COUNCIL REQUIRING THAT IMPORTERS SUBMIT DATA OF AVAILABLE FUNDS TO COVER PAYMENT OF THEIR PROPOSED PURCHASES. THE DECREE NOTES THAT AN ENTERPRISE MAY SUBMIT PROOF OF ANTICIPATED 1975 EXPORT EARNINGS IN FULFILLMENT OF THIS REQUIREMENT.

6. ALSO BEHIND THE BANK'S POSITION MAY BE A CONFIDENTIAL MEMORANDUM WHICH ACCORDING TO UNCONFIRMED INFORMATION FROM TRADE CONTACTS AND DIPLOMATIC COLLEAGUES WAS CIRCULATED IN MID-JUNE TO GENERAL DIRECTORS OF THE TRADING ORGANIZATIONS. ACCORDING TO ONE REPORT THE MEMORANDUM SUGGESTS THAT IMPORTERS SHOULD EARN FOREIGN EXCHANGE EQUALING 30 PERCENT OF THE VALUE OF IMPORTED EQUIPMENT AND 100 PERCENT OF THE VALUE OF IMPORTED CONSUMER GOODS.

7. CRITERIA FOR ADMINISTRATION OF THE ABOVE GUIDELINES REMAIN UNCLEAR ALTHOUGH PRIORITY NEEDS PRESUMABLY WILL BE MET. ON THE OTHER HAND, RUMORS EXIST THAT FOREIGN EXCHANGE ALLOCATIONS FOR CERTAIN TYPES OF IMPORTS HAVE BEEN EXHAUSTED AND BANKS ARE UNABLE TO ISSUE LETTERS OF CREDIT EVEN WHEN EXCEPTIONS AND THE NECESSARY PERMITS ARE GRANTED. THE EFFECT OF THE SITUATION MAY WELL BE A REDUCTION IN THE YUGOSLAV IMPORT BILL. UNTIL AND UNLESS THE CONFUSION OF THE ADMINISTRATION OF IMPORT RESTRAINTS IS RESOLVED, HOWEVER, EMBASSY INTERVENTION MAY BE NEEDED IN OTHER CASES. U.S. FIRMS SHOULD NOT REPEAT NOT BE DISCOURAGED FROM SELLING TO THE YUGOSLAVS; BUT THEY SHOULD BE ENCOURAGED TO CONTACT THE DEPARTMENT OR THE EMBASSY DIRECTLY WHEN THERE ARE SIGNS OF DELAY IN OBTAINING NECESSARY YUGOSLAV IMPORT PERMITS.

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## Message Attributes

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